

HCS HB 950 -- SALE OF PUBLIC BONDS

SPONSOR: Vescovo

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Ways and Means by a vote of 9 to 1. Voted "Do Pass" by the Standing Committee on Rules- Administrative Oversight by a vote of 7 to 3.

This bill requires that any political subdivision issuing debt must use a competitive process unless employing a municipal advisor. The municipal advisor can use a negotiated or competitive process to issue debt, but cannot profit financially either directly or indirectly from the underwriter of a negotiated bond issuance and must be independent of the underwriter.

The bill also requires the State Treasurer to provide authoritative guidance and information to political subdivisions on debt issuance to aid them with the process of issuing debt and awarding bonds to the highest and best bidder.

This bill is similar to HB 545 (2017).

PROPONENTS: Supporters say that this bill interjects competitive bidding into public bonds bidding. Millions of dollars are lost every year simply because public bonding doesn't have competitive bidding. In 2013, 81% of bonds were issued by school districts. School districts often do not have the necessary expertise regarding public bonds and would benefit from a municipal advisor.

Testifying for the bill were Representative Vescovo and the Office of the Missouri State Auditor.

OPPONENTS: Those who oppose the bill say that the bill threatens the bond rating of school districts. Not many people want to bid on municipal bonds. Competitive bidding limits buyers, hurts profitability, and impedes incentives that further the public bonding process. The reports from the State Auditor are wrong. Competitive bidding would have prevented Boone County from expanding its hospital. With current bond interest rates increasing, competitive bidding is not wise.

Testifying against the bill were George K. Baum; Stifel Nicolaus; Boone County Missouri; Missouri Association of School Administrators; L.J. Hart & Company; Missouri Association of Counties; Municipal League of Metro St. Louis; Missouri Municipal League; and the Securities Industry and Financial Markets Association.